

ABC WORLD NEWS TONIGHT
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INVESTIGATION/
CIA

JENNINGS: We have a fascinating story tonight which involves 22 million missing dollars, a host of investors who lost their money, a man who's accused of swindling them and the CIA. Last July in Hawaii, an investment banker named Ronald Rewald was charged with what investigators said then was a classic scam, hundreds of investors putting millions of dollars into a phony investment plan. At the time, most people concentrated on the people who had lost their money. There is a good deal more to the story. ABC News has been investigating, and now Gary Shepard reports on Ronald Rewald and the CIA

SHEPARD: It was just over a year ago that Ronald Rewald was arrested in Honolulu and thrown in jail, accused of swindling 400 investors out of \$22 million. His investment firm, Bishop, Baldwin, Rewald, Dillingham and Wong, was declared bankrupt. But then the story took a strange twist. Rewald claims he was really working for the Central Intelligence Agency. RONALD\REWALD: I certainly don't deny the fact that I was a covert agent, and I don't deny the fact that I was running that portion of Bishop, Baldwin that involved the agency.

SHEPARD: The CIA won't say whether Rewald was an agent, but admits it had, quote, 'slight involvement' with the Bishop, Baldwin Company. The man appointed by the court as the firm's bankruptcy trustee confirms the CIA connection. THOMAS\HAYES (bankruptcy trustee): Clearly it was a commercial cover operation for the Central Intelligence Agency. One or more agents used it for that purpose. But that doesn't justify stealing \$22 million of someone's money.

SHEPARD: But Rewald denies the money is missing at all. He says it's in several different banks under other names. And as far as slight CIA involvement is concerned, ABC News has learned the agency was heavily entrenched in Bishop, Baldwin, running a number of foreign and domestic intelligence operations, one of which violated an international agreement, others in direct violation of U.S. law. ROBERT\JINKS: I saw personally some documentation of undercover operations that were being carried on under the covers established by Bishop, Baldwin.

SHEPARD: For the CIA? JINKS: For the CIA.

SHEPARD: In a sworn deposition, Bishop, Baldwin consultant Robert Jinks says he too was a CIA agent. He once went to Hong Kong with Rewald, he says, on a clandestine mission. It's purpose to spread scare stories

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about the financial impact of China taking over when Britain's lease runs out in 1997. The firm even released a lengthy report which encouraged investors to move their money elsewhere. (GRAPHIC: Report titled Capital Flight from Hong Kong and How Hawaii Can Benefit.) REWALD: Certainly we were doing our part just like everyone else was to keep that money flowing towards the United States as opposed to Europe or some other country.

SHEPARD: To fuel the panic in Hong Kong? REWALD: That's right.

SHEPARD: Bishop, Baldwin was also involved in arranging secret shipments of military hardware to countries like Syria, India and Taiwan. Another agent, Russell Kim, in a

sworn statement, says the Taiwan deal involved such items as laser sighting devices for M-16 rifles, armored personnel carriers and M-60 tanks. This multimillion dollar back door deal enabled the CIA on behalf of the U.S. government to circumvent its agreement with mainland China not to supply certain offensive weapons to Taiwan.

REWALD: I don't think any of us really doubted that we owe an obligation to Taiwan, that we willing to support them on an ongoing basis; however, that's not something that could be overtly.

SHEPARD: Among the 400 investors in Rewald's firm were Gen. Arnold Braswell, commander of the entire U.S. Air Force in the Pacific, and two former CIA station chiefs in Honolulu. This man, Jack *Kinceny, was one of them. Both the Securities and Exchange Commission and the Internal Revenue Service have filed charges against Rewald. But an earlier confidential SEC report obtained by ABC News shows the SEC found no violations in the firm's investment activities, and evidence from several sources confirms the CIA was able to stop an initial IRS investigation. One of Rewald's lawyers, Melvin Belli, says the CIA is involved in a massive coverup. MELVIN\BELLI: They said, number one, 'He's not a CIA man, and it's not a CIA operation.' On the other hand, they got through telling me one thing. Then they tell me, 'Someday he's going to have to pay for this. You know, he took a loyalty oath when he joined the CIA.'

SHEPARD: The House Oversight and Investigation Subcommittee is now scrutinizing Bishop, Baldwin and its CIA connection. ABC News has learned the CIA has admitted to the subcommittee Rewald was an agent with a signed secrecy agreement. Even so, he's been indicted by a federal grand jury on 100 counts of fraud, tax evasion and perjury. Gary Shepard, ABC News, New York.

JENNINGS: There is even more to this story, and we'll continue telling it tomorrow. |